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Brazil

Oilseeds and Products

Annual

2000

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Report Highlights:
The 1999/2000 soybean crop is projected to be down slightly from last year due to dry weather early in the production cycle, which is expected to result in lower MY 2000/01 crush and exports for soybeans and products. Conversely, the 2000 cottonseed output should be up notably from last season. For the 2000/01 crop, soybean production is forecast to increase with steady area and improved yields, with corresponding movements in crush and trade. Cottonseed, likewise, is forecast to increase. The transgenic issue remains unsettled. Infrastructure/transportation improvments continue key to development of the Brazilian soybean sector.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Projections for 1999/2000 soybean crop reflect the impact of early season dry weather which initially raised planted area estimates, as some southern corn area was shifted to soybeans, and then the continued impact of the dry weather on the soybean crop. Western areas in the states of Rio Grande do Sul, Parana and in southern Mato Grosso do Sul were hit hard, with significant areas having to be replanted. Conversely, the major production areas in the Center-West and the Northeast regions have, overall, benefitted from favorable production conditions and are expected to yield a very good crop. Input use, contrary to early season reports, is reported by cooperative and trade contacts as having been employed at "normal" levels. Producer pricing of new crop soybeans reportedly has been slow due to uncertainty over the crop situation, with implications on potential prices further into the season. The outlook for the 2000/2001 crop is for steady area and a return to more normal yields throughout the country, resulting in a larger crop. The southern state of Rio Grande do Sul has had three consecutive low yield crops. The potential for soybean expanded area will be hampered by expectations for good domestic cotton and corn prices next season.

The trade outlook is for exporters of Brazilian oilseeds and products to continue to capitalize on the favorable value of the local currency, vis-a-vis the dollar. At the same time, however, the exchange rate raises the cost of imported input products, such as some fertilizer components and petroleum. Exports of each facet of the soybean complex are projected to be down this season, compared to last, due to the lower crop. For the out year, with recovery of the overall soybean crop, exports are likewise forecast to increase.

In addition to the devaluation, Brazilian soybean producers have benefitted from the continued exemption of export soybeans from the 13 percent value-added tax (ICMS), which crushers pay on interstate movements to their domestic plants. While the state level governments, and domestic crushers, continue to chafe over the ICMS situation, the exemption is expected to remain for the foreseeable future. The tax situation, in combination with the import regimes of several major importing countries, which favor soybean imports over that of products, such as India, will likely hold back the crush of domestic soybeans.

The transgenic soybean issue has not been resolved as the matter continues tied up by a court injunction. While the southern state of Rio Grande do Sul, a major soybean producing area, receives most of the attention on this point, with an estimated 15 percent of the soybean area planted with trangenic soybean seed, unconfirmed reports indicate that up to one million hectares (MHa.) may have been planted this season in the states of Parana, Mato Grosso do Sul and Mato Grosso. Producers remain generally on the sideline of the situation, expect for those that have reportedly contrabanded planting seed into the country. There is, however, interest in the technology and in being able to verify the reported production cost savings.

Infrastructure investment and development continue to play a major role in the soybean sector. Transportation and port improvement projects are underway. With these, the various production areas are gaining access to export markets and reduced transportation costs to domestic markets.

The import picture for soybeans will be interesting to note as crushers take a more aggressive stance to make fuller use of their facilities by taking advantage of the Brazilian tax laws which tax the interstate movement of domestic soybeans while exempting imported soybeans being processed in a toll milling operation for export. Concurrently, the improving transportation options for moving Paraguayan soybeans to Brazilian plants will facilitate this trend.

Overall, domestic consumption of soy meal and soy oil are projected to be relatively steady for the 2000/20001 (Feb-Jan) marketing year due largely to the impact of the current tight Brazilian economic situation.

As a net cotton importer, the devaluation caused domestic cotton prices to strengthen. This, combined with active demand from local spinners, will support Brazilian cotton area, and the resulting cottonseed. The new cotton crop is presently projected to exceed last season output, with a further increase forecast for the out year.

I. SITUATION AND OUTLOOK

The 2000/01 oilseed crop (soybeans and cottonseed) is forecast to increase from this season due to slightly higher planted area and expectations for a return to more normal weather patterns in southern production regions. Soybeans make up about 95 percent of total area. Continuation of weak international soybean prices will serve to hold down significant area expansion. While producer debt problems are expected to continue, industry financing will help soybean producers acquire the needed production inputs. Industry resources will reportedly be focused toward larger farmers who demonstrate professional management practices. Smaller producers are expected to utilize government financing or their own resources to a greater extent.

The 1999/2000 oilseed crop was reduced by dry weather during Nov.-Dec. in southern production areas. Most affected were the soybean areas of western Rio Grande do Sul, western Parana and southern Mato Grosso do Sul. Generally favorable conditions, however, led to anticipated very good yields in the other areas. Industry soybean crop estimates range from 30-32MMT. Improved weather since late December and replanting in the more impacted areas has led to many projections being revised upward somewhat. The southern crop is not uniform due to the extended planting season.

Soybean imports for Marketing Year (MY) 2000/01 (Feb-Jan) are projected to increase as improving transportation options, aggressive action on the part of the competing companies to keep their facilities operating and reported tax advantages lead to additional Paraguayan soybeans being moved to Brazilian plants. This process is forecast to continue in 2001/02.

Projected MY 2000/01 soybean exports are down slightly from last season due to expectations for a smaller crop and somewhat steady crush. Continuation of the exemption from the Brazilian movement tax (ICMS), which will continue to place soybeans on an equal export tax footing with soybean meal and oil, is expected.

Soybean meal and oil output for MY 2000/01 is projected to decline in line with the crush. Domestic consumption of meal is expected to increase only slightly from last season due to the impact of tight local economic conditions on consumer buying of poultry, eggs and pork. Oil consumption is projected steady due to the same factors. Likewise, the smaller crush and domestic consumption will result in somewhat lower exports.

Cotton area for the 2000/01 crop is anticipated to benefit from generally favorable domestic prices. Brazil, a net cotton importer, experienced a significant jump in the landed cost of foreign cotton with the 1999 devaluation of the local currency, the "Real," vis-a-vis the U.S. dollar. The new center-west production areas are able to plant either cotton or soybeans and mechanization of the cotton harvest presents the opportunity for producers in that major cotton producing region to capitalize on the present market situation. Thus, cotton area is forecast to increase, with a related increase in cottonseed production.

Other factors of the cottonseed complex are driven by the availability of domestic seed. International trade of the Brazilian cottonseed and products is negligible.

Soybeans make up about 96 percent of the domestic crush. While cottonseed is a distant second, the domestic crush sector also processes small amounts of canola, sunflower seed, corn and palm. The sector is experiencing tight margins as is reported to be worldwide. They indicate crushing facilities are being operated at or near a loss and the companies are continuing to integrate vertically and across borders to make a positive bottom line.

The vegetable oil sector is forecasting steady oil demand for the out year after an only slight increase for the 00/01 marketing year. However, while steady, the rate of per capita consumption will actually fall, a result of the generally tight economic situation. Exports are expected to increase in line with increase crush, a result of the projected larger crop and soybean imports.

Likewise, meal demand is supposed to rise only slightly as domestic demand for and production of meat and eggs overall remains constrained.

II. STATISTICAL TABLES

PS&D TABLES

Commodity:						
TOTAL OILSEEDS	1998		1999		2000	
	OLD	NEW	OLD	NEW	OLD	NEW
Market Year Begin	(00/1999)		(00/2000)		(00/2001)	
Area Planted	13,690	13,785	13,890	13,885	0	13,930
Area Harvested	13,595	13,685	13,795	13,785	0	13,830
Beginning Stocks	560	560	470	375	480	475
Production	31,782	31,780	31,320	31,430	0	32,440
MY Imports	700	615	900	900	0	1,000
MY Imp. from U.S.	92	0	100	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	33,042	32,955	32,690	32,705	480	33,915
MY Exports	8,700	8,900	8,700	8,700	0	9,000
MY Exp. to the EC	7,900	6,900	7,900	6,500	0	6,500
Crush Dom. Consumption	22,077	21,940	21,720	21,780	0	22,785
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Seed Waste Dm.Cn.	1,795	1,740	1,790	1,750	0	1,755
Total Dom. Consumption	23,872	23,680	23,510	23,530	0	24,540
Ending Stocks	470	375	480	475	480	375
TOTAL DISTRIBUTION	33,042	32,955	32,690	32,705	480	33,915
Calendar Year Imports	800	581	800	900	0	1,000
Calendar Yr Imp. U.S.	200	0	100	0	0	0
Calendar Year Exports	8,400	8,917	9,000	8,700	0	9,000
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Commodity:						
TOTAL MEAL	1998		1999		2000	
	OLD	NEW	OLD	NEW	OLD	NEW
Market Year Begin	(00/1999)		(00/2000)		(00/2001)	
Crush	22,077	21,940	21,720	21,780	0	22,785
Extr. Rate	N/A	N/A	N/A	N/A	N/A	N/A
Beginning Stocks	337	337	342	137	344	207
Production	17,192	16,970	17,058	16,810	0	17,595
MY Imports	185	187	225	220	0	205
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	17,714	17,494	17,625	17,167	344	18,007
MY Exports	10,300	10,300	10,150	9,800	0	10,500
MY Exp. to the EC	10,200	7,400	1,000	6,500	0	7,500
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom.Consum.	7,072	7,057	7,131	7,160	0	7,240
Total Dom. Consumption	7,072	7,057	5,750	7,160	0	7,240
Ending Stocks	342	137	1,725	207	344	267
TOTAL DISTRIBUTION	17,714	17,494	17,625	17,167	344	18,007
Calendar Year Imports	0	187	0	220	0	205
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	10,422	0	9,800	0	10,500
Calndr Yr Exp. to U.S.	0	80	0	0	0	0

Commodity:						
TOTAL OIL	1998		1999		2000	
	OLD	NEW	OLD	NEW	OLD	NEW
Market Year Begin	(00/1999)		(00/2000)		(00/2001)	
Crush	22,077	21,940	21,720	21,780	0	22,785
Extr. Rate	N/A	N/A	N/A	N/A	N/A	N/A
Beginning Stocks	329	329	279	224	169	164
Production	4,089	4,163	4,020	4,110	0	4,300
MY Imports	335	201	310	205	0	205
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	4,753	4,693	4,609	4,539	169	4,669
MY Exports	1,580	1,597	1,520	1,460	0	1,610
MY Exp. to the EC	1	60	1	61	0	61
Industrial Dom. Consum	228	225	229	235	0	250
Food Use Dom. Consump.	2,666	2,647	2,691	2,680	0	2,685
Feed Waste Dom.Consum.	0	0	0	0	0	0
Total Dom. Consumption	2,894	2,872	2,920	2,915	0	2,935
Ending Stocks	279	224	169	164	169	124
TOTAL DISTRIBUTION	4,753	4,693	4,609	4,539	169	4,669
Calendar Year Imports	10	201	0	205	0	205
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	1,577	0	1,460	0	1,610
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Brazil					
Commodity	Oilseed, Soybean		(1000 HA)(1000 MT)			
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin	02/1999		02/2000		02/2001	
Area Planted	13000	13100	13200	13200	0	13200
Area Harvested	12900	13000	13100	13100	0	13100
Beginning Stocks	560	560	470	375	480	475
Production	31000	31000	30500	30500	0	31500
MY Imports	700	615	900	900	0	1000
MY Imp. from U.S.	92	0	100	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	32260	32175	31870	31775	480	32975
MY Exports	8700	8900	8700	8700	0	9000
MY Exp. to the EC	7900	6900	7900	6500	0	6500
Crush Dom. Consumption	21400	21300	21000	21000	0	22000
Food Use Dom. Consump.	0	0	0	0	0	0
Feed,Seed,Waste Dm.Cn.	1690	1600	1690	1600	0	1600
TOTAL Dom. Consumption	23090	22900	22690	22600	0	23600
Ending Stocks	470	375	480	475	480	375
TOTAL DISTRIBUTION	32260	32175	31870	31775	480	32975
Calendar Year Imports	800	581	800	900	0	900
Calendar Yr Imp. U.S.	200	0	100	0	0	0
Calendar Year Exports	8400	8917	9000	8700	0	9000
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Brazil					
Commodity	Meal, Soybean		(1000 MT)(PERCENT)			
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin	02/1999		02/2000		02/2001	
Crush	21400	21300	21000	21000	0	22000
Extr. Rate, 999.9999	0.785981	0.780047	0.793429	0.78	ERR	0.78
Beginning Stocks	332	332	337	132	339	202
Production	16820	16615	16662	16380	0	17160
MY Imports	175	175	215	215	0	200
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	17327	17122	17214	16727	339	17562
MY Exports	10300	10300	10150	9800	0	10500
MY Exp. to the EC	10200	7400	10000	6500	0	7500
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	6690	6690	6725	6725	0	6800
TOTAL Dom. Consumption	6690	6690	6725	6725	0	6800
Ending Stocks	337	132	339	202	0	262
TOTAL DISTRIBUTION	17327	17122	17214	16727	0	17562
Calendar Year Imports	0	175	0	215	0	200
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	10422	0	9800	0	10500
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Brazil					
Commodity	Oil, Soybean		(1000 MT)(PERCENT)			
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin	02/1999		02/2000		02/2001	
Crush	21400	21300	21000	21000	0	22000
Extr. Rate, 999.9999	0.186215	0.1908451	0.1861905	0.19	ERR	0.19
Beginning Stocks	329	329	279	224	169	164
Production	3985	4065	3910	3990	0	4180
MY Imports	325	200	300	200	0	200
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	4639	4594	4489	4414	169	4544
MY Exports	1570	1570	1510	1450	0	1600
MY Exp. to the EC	0	60	0	60	0	60
Industrial Dom. Consum	190	200	190	200	0	210
Food Use Dom. Consump.	2600	2600	2620	2600	0	2610
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	2790	2800	2810	2800	0	2820
Ending Stocks	279	224	169	164	0	124
TOTAL DISTRIBUTION	4639	4594	4489	4414	0	4544
Calendar Year Imports	0	200	0	200	0	200
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	1550	0	1450	0	1600
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Brazil					
Commodity	Oilseed, Cottonseed (1000 HA)(1000 MT)(RATIO)					
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin	01/1999		01/2000		01/2001	
Area Planted (COTTON)	690	685	690	685	0	730
Area Harvested(COTTON)	985	685	695	685	0	730
Seed to Lint Ratio	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	782	780	820	930	0	940
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	782	780	820	930	0	940
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	677	640	720	780	0	785
Food Use Dom. Consump.	0	0	0	0	0	0
Feed,Seed,Waste Dm.Cm.	105	140	100	150	0	155
TOTAL Dom. Consumption	782	780	820	930	0	940
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	782	780	820	930	0	940
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Brazil					
Commodity	Meal, Cottonseed			(1000 MT)(PERCENT)		
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin	01/1999		01/2000		01/2001	
Crush	677	640	720	780	0	785
Extr. Rate, 999.9999	0.549483	0.554688	0.55	0.551282	ERR	0.55414
Beginning Stocks	5	5	5	5	5	5
Production	372	355	396	430	0	435
MY Imports	10	12	10	5	0	5
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	387	372	411	440	5	445
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	382	367	406	435	0	440
TOTAL Dom. Consumption	382	367	406	435	0	440
Ending Stocks	5	5	5	5	0	5
TOTAL DISTRIBUTION	387	372	411	440	0	445
Calendar Year Imports	0	10	0	5	0	5
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Brazil					
Commodity	Oil, Cottonseed			(1000 MT)(PERCENT)		
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin	01/1999		01/2000		01/2001	
Crush	677	640	720	780	0	785
Extr. Rate, 999.9999	0.153619	0.153125	0.152778	0.153846	ERR	0.152866
Beginning Stocks	0	0	0	0	0	0
Production	104	98	110	120	0	120
MY Imports	10	10	10	5	0	5
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	114	108	120	125	0	125
MY Exports	10	27	10	10	0	10
MY Exp. to the EC	1	1	1	1	0	1
Industrial Dom. Consum	38	25	39	35	0	40
Food Use Dom. Consump.	66	47	71	80	0	75
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	104	72	110	115	0	115
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	114	99	120	125	0	125
Calendar Year Imports	0	1	0	5	0	5
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	27	0	10	0	10
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

TRADE MATRICES

Import Trade Matrix			
Country	Brazil		
Commodity	Oilseed, Soybean		
Time period	Jan-Dec	Units:	TMT
Imports for:	1998		1999
U.S.	92	U.S.	0
Others		Others	
Paraguay	314	Paraguay	581
Total for Others	314		581
Others not Listed	0		0
Grand Total	406		581
Source: GOB/DECEX (World Trade Atlas)			

Export Trade Matrix			
Country	Brazil		
Commodity	Oilseed, Soybean		
Time period	Jan-Dec	Units:	TMT
Exports for:	1998		1999
U.S.	0	U.S.	0
Others		Others	
Netherlands	2972	Netherlands	3,022
Germany	1094	Spain	1,416
Spain	956	Germany	857
China	945	China	620
United Kingdom	434	United Kingdom	461
Taiwan	423	Italy	436
Italy	416	Belgium	423
Belgium	331	Japan	364
Japan	288	Norway	363
France	208	France	252
Total for Others	8067		8214
Others not Listed	1221		703
Grand Total	9288		8917
Source: GOB/DECEX (World Trade Atlas)			

Import Trade Matrix			
Country	Brazil		
Commodity	Meal, Soybean		
Time period	Jan-Dec	Units:	TMT
Imports for:	1998		1999
U.S.	0	U.S.	
Others		Others	
Paraguay	141		
Argentina	18		
Total for Others	159		0
Others not Listed	0		
Grand Total	159		0
Source: GOB/DECEX (World Trade Atlas) Trade data for 1999 requested. Provided upon receipt.			

Export Trade Matrix			
Country	Brazil		
Commodity	Meal, Soybean		
Time period	Jan-Dec	Units:	TMT
Exports for:	1998		1999
U.S.	0	U.S.	80
Others		Others	
Netherlands	2422	Netherlands	2617
France	1941	France	1992
China	1258	Spain	984
Germany	758	Rep. of Korea	523
Spain	658	United Kingdom	426
Denmark	419	Japan	378
United Kingdom	360	Germany	374
Italy	328	Belgium	360
Japan	312	Italy	358
Belgium	265	Thailand	337
Total for Others	8721		8349
Others not Listed	1726		1993
Grand Total	10447		10422
Source: GOB/DECEX (World Trade Atlas)			

Import Trade Matrix			
Country	Brazil		
Commodity	Oil, Soybean		
Time period	Jan-Dec	Units:	TMT
Imports for:	1998		1999
U.S.	0	U.S.	
Others		Others	
Argentina	133		
Paraguay	80		
Bolivia	1		
Total for Others	214		0
Others not Listed	0		
Grand Total	214		0
Source: GOB/DECEX (World Trade Atlas) Trade data for 1999 requested. Provided upon receipt.			

Export Trade Matrix			
Country	Brazil		
Commodity	Oil, Soybean		
Time period	Jan-Dec	Units:	TMT
Exports for:	1998		1999
U.S.	0	U.S.	0
Others		Others	
Iran	630	Iran	772
China	183	India	305
Bangladesh	93	China	122
Egypt	60	Malaysia	76
Pakistan	52	Bangladesh	45
India	69	Pakistan	36
Malaysia	112	Netherlands	54
Morocco	29	Morocco	31
Senegal	16	Egypt	10
Netherlands	14	Hong Kong	31
Total for Others	1258		1482
Others not Listed	103		68
Grand Total	1361		1550
Source: GOB/DECEX (World Trade Atlas)			

Import Trade Matrix			
Country	Brazil		
Commodity	Meal, Cottonseed		
Time period	Jan-Dec	Units:	TMT
Imports for:	1998		1999
U.S.	0	U.S.	0
Others		Others	
Uruguay	12	Uruguay	6
Argentina	11	Paraguay	6
Paraguay	3		
Total for Others	26		12
Others not Listed	0		0
Grand Total	26		12
Source: GOB/DECEX (World Trade Atlas)			

Export Trade Matrix			
Country	Brazil		
Commodity	Meal, Cottonseed		
Time period	Jan-Dec	Units:	TMT
Exports for:	1998		1999
U.S.	0	U.S.	0
Others		Others	
Argentina	35		
Taiwan	25		
UK	17		
Uruguay	2		
Chile	3		
Total for Others	82		0
Others not Listed	0		0
Grand Total	82		0
Source: GOB/DECEX (World Trade Atlas) Trade data for 1999 requested. Provided upon receipt.			

Import Trade Matrix			
Country	Brazil		
Commodity	Oil, Cottonseed		
Time period	Jan-Dec	Units:	TMT
Imports for:	1998		1999
U.S.	5	U.S.	0
Others		Others	
Uruguay	3	Paraguay	1
Paraguay	2		
Total for Others	5		1
Others not Listed	0		0
Grand Total	10		1
Source: GOB/DECEX (World Trade Atlas)			

Export Trade Matrix			
Country	Brazil		
Commodity	Oil, Cottonseed		
Time period	Jan-Dec	Units:	
Exports for:	1998		1999
U.S.	2	U.S.	0
Others		Others	
India	4	India	27
Egypt	3		
Ireland	2		
Total for Others	9		27
Others not Listed	0		0
Grand Total	11		27
Source: GOB/DECEX (World Trade Atlas)			

PRICE TABLES

Prices Table			
Country	Brazil		
Commodity	Oilseed, Soybean		
Prices in	US$	per uom	Metric Ton
Year	1998	1999	% Change
Jan	301.80	199.00	-34.06%
Feb	276.95	174.04	-37.16%
Mar	237.61	169.30	-28.75%
Apr	231.75	170.75	-26.32%
May	233.54	167.51	-28.27%
Jun	229.30	172.17	-24.91%
Jul	225.95	166.94	-26.12%
Aug	213.17	170.75	-19.90%
Sep	218.22	183.05	-16.12%
Oct	227.90	175.95	-22.80%
Nov	228.50	171.13	-25.11%
Dec	208.70	173.15	-17.03%
Exchange Rate	1.75	Local currency/US $	
FOB Paranaguá Source: ABIOVE (Brazilian Oilseed Crushers Association) Oct-Dec 1999 are mid-month prices.			

Prices Table			
Country	Brazil		
Commodity	Meal, Soybean		
Prices in	US$	per uom	Metric Ton
Year	1998	1999	% Change
Jan	225.64	143.85	-36.25%
Feb	201.22	132.06	-34.37%
Mar	169.31	132.14	-21.95%
Apr	157.08	129.69	-17.44%
May	156.99	129.38	-17.59%
Jun	157.22	133.91	-14.83%
Jul	152.27	130.46	-14.32%
Aug	146.30	139.63	-4.56%
Sep	144.97	153.99	6.22%
Oct	148.72	165.57	11.33%
Nov	159.52	163.97	2.79%
Dec	160.19	163.87	2.30%
Exchange Rate	1.75	Local currency/US $	
FOB Paranaguá Source: ABIOVE (Brazilian Oilseed Crushers Association)			

Prices Table			
Country	Brazil		
Commodity	Oil, Soybean		
Prices in	US$	per uom	Metric Tons
Year	1998	1999	% Change
Jan	597.01	527.67	-11.61%
Feb	618.32	444.45	-28.12%
Mar	642.11	405.15	-36.90%
Apr	635.81	419.76	-33.98%
May	649.41	406.58	-37.39%
Jun	601.64	378.31	-37.12%
Jul	583.56	361.11	-38.12%
Aug	590.83	365.30	-38.17%
Sep	610.95	388.67	-36.38%
Oct	601.19	374.78	-37.66%
Nov	588.63	368.61	-37.38%
Dec	565.30	360.23	-36.28%
Exchange Rate	1.75	Local currency/US $	
Crude oil / FOB Paranaguá Source: ABIOVE (Brazilian Oilseed Crushers Association)			

Prices Table			
Country	Brazil		
Commodity	Oilseed, Cottonseed		
Prices in	R$	per uom	15 kg
Year	1998	1999	% Change
Jan	8.99	6.76	-24.81%
Feb	8.89	7.87	-11.47%
Mar	7.76	9.55	23.07%
Apr	6.66	8.67	30.18%
May	6.68	8.57	28.29%
Jun	6.35	8.57	34.96%
Jul	6.27	8.63	37.64%
Aug	6.35	9.06	42.68%
Sep	6.50	9.10	40.00%
Oct	6.61	9.12	37.97%
Nov	6.84	9.13	33.48%
Dec	6.77	9.13	34.86%
Exchange Rate	1.75	Local currency/US $	
Note: Gin price in São Paulo Source: MinAg, CONAB			

Domestic Refined Soybean Oil Prices: Wholesale and Retail (Reals/Unit)				
	1998		1999	
Month/Market	Wholesale	Retail	Wholesale	Retail
Jan	22.20	1.15	20.56	1.07
Feb	21.50	0.98	24.80	1.19
Mar	22.20	1.12	23.44	1.24
Apr	22.84	1.16	21.25	1.12
May	22.30	1.15	20.40	1.10
Jun	22.48	1.12	20.38	1.04
Jul	21.32	1.08	20.45	1.04
Aug	20.00	1.05	19.70	1.03
Sep	20.52	1.04	20.26	1.05
Oct	20.10	1.04	20.42	1.07
Nov	19.75	1.05	20.62	1.05
Dec	19.76	1.05	20.68	1.31
Note: Wholesale price for 20 lt. in São Paulo. Retail is for 900 ml can in São Paulo. Source: MinAg CONAB				

TARIFF TABLE

MERCOSUL Common External Tariff			
Tariff	Code	Description	%
1201		Soybeans	
	.00.10	Seed for planting	0
	.00.90	Other	11
1207		Cotton	
	.20.10	Seed for planting	0
	.20.90	Cottonseed	11
1507		Soybean oil, not chemically modified	
	.10.00	Crude	13
	.90	Other	
	.90.10	Refined	15
	.90.90	Other	13
1512		Cottonseed oil	
	.21.00	Crude	13
	.29	Other	
	.29.10	Refined	13
	.29.90	Other	13
1208		Oilseed flour	
	.10.00	Soybean	13
	.90.00	Other	13
2304		Meals resulted from extraction of soybean oil	
	.00.10	Meals & pellets	9
	.00.90	Other	9
2306		Meals resulted from extraction of vegetable oils	
	.10.00	Cottonseed meal	9
Source: Aduaneiras Tarifa Externa Comun (TEC)			

III. NARRATIVE ON SUPPLY AND DEMAND, POLICY & MARKETING

TOTAL OILSEEDS

Production

ATO/Sao Paulo projects total oilseed production for the 1999/2000 crop -- MY 2000/01 (99) -- at 31.4 million metric tons (MMT), based on a total estimated planted area of 13.8 million hectares (MHa). The estimate is for stable area and the crop size to be down from last season. Soybean production makes up about 96 percent of total oilseed production in this estimate, with the remainder accounted for by cottonseed. Other oilseeds produced in Brazil for processing into vegetable oil include canola, sunflower, palm and corn. The quantities processed, however, are relatively small.

The forecast for the 2000/01 crop -- MY 2001/02 (2000) -- is for oilseed production to increase due to higher cotton area and more normal soybean yields throughout Brazil. The availability of cottonseed is expected to increase as cotton area expands in reaction to relatively favorable local prices resulting from good domestic demand for fiber and high import costs. Conversely, weak international soybean prices and expected strong cotton and corn prices will hold back expansion of soybean area. The ATO/São Paulo (ATO/SP) outlook for soybean area by state is noted below.

Brazilian Soybean Area, Yield & Production
(000 Ha, 000 MT, MT/Ha)

State/CropYear	Area			Production			Yield		
	98/99	99/00	00/01	98/99	99/00	00/01	98/99	99/00	00/01
Rio Grande do Sul	3,140	3,140	3,140	5,000	5,150	5,500	1.592	1.640	1.752
Parana	2,770	2,780	2,780	7,700	7,100	7,500	2.780	2.554	2.698
Santa Catarina	215	205	205	430	400	425	2.000	1.951	2.073
Minas Gerais	575	600	600	1,340	1,375	1,400	2.330	2.292	2.333
São Paulo	520	570	570	1,450	1,360	1,450	2.788	2.386	2.544
Mato Grosso	2,550	2,575	2,575	7,130	7,225	7,200	2.796	2.806	2.796
Mato Grosso do Sul	1,050	1,050	1,050	2,750	2,600	2,750	2.619	2.476	2.619
Goias	1,325	1,325	1,325	3,430	3,450	3,450	2.589	2.604	2.604
Bahia	580	580	580	1,180	1,250	1,225	2.034	2.155	2.112
Others	275	275	275	590	590	600	2.145	2.145	2.182
Total	13,000	13,100	13,100	31,000	30,500	31,500	2.385	2.328	2.405

USDA/FAS Estimates

The longer term outlook for Brazilian oilseed area and production will continue to be enhanced with infrastructure development--roads, rail lines, waterways and ports. The private sector has shown initiative and a willingness to invest when economic conditions exist to do so. Producer prices and financing will be associated factors, as always. Land is not a constraint as there is a reported 80 MHa in the Cerrado region of central and

northeast Brazil that can be farmed yet to be opened. The expansion of soybean area to date has enabled a significant increase in the national average yield due to the quality of the new lands, the reduced impact of weather variations on the overall crop and the increased professionalism of producers. The same comments apply to cottonseed.

ATO/SP estimates 1999/2000 crop soybean harvested area at 13.1 MHa, up slightly from last season. The larger planted area resulted from dry weather at corn planting which led some southern producers to shift area from corn to soybeans. Despite weather problems in southern production areas, which resulted in delayed soybean planting and replanting, the use of inputs and technology and generally favorable weather during the season to date over most of the expansive Brazilian soybean territory, has supported yield expectations. These factors resulted in a crop projection of 30.5 MMT, down less than 2 percent from last season.

Looking out to the 2000/01 soybean crop, MY 2001/02 (2000), prospects at this very early point are for steady area. Poor international soybean prices -- and no current prospect for improvement -- and relatively favorable cotton and corn prices underpin this forecast. Assuming more normal yields in southern areas, relative to the past few low yielding crops, and continued favorable weather patterns in the center-west and northeastern production areas, which have higher average yields, the ATO/SP forecast is for out year soybean production to increase to 31.5 MMT, up 3 percent from the current 1999/2000 crop projection.

Data indicate that local production costs in dollar terms declined 1998 to 1999. However, for certain major inputs, such as fertilizer and equipment, the amount of a commodity needed to procure those items was, in mid-1999, the highest in at least the past five years. Industry information also indicates that among the larger three soybean producing states, for the 1998/99 crop Parana had the higher costs, while Rio Grande do Sul was the lower of the group. Fertilizer sales, overall for 1999/2000 crops, is reported down by the domestic fertilizer sector. Elaboration indicates, however, that most of the drop was in sales to the citrus and coffee sectors.

Soybeans: Estimated Production Costs -- Parana (US$/Ha)						
Item / Crop Year	1996/97	1997/98	1998/99		1999/2000	
			1/	2/	1/	2/
Implement costs	75.43	68.34	66.42	51.67	50.93	38.94
Labor (temp)	25.96	26.91	25.94	3.99	16.70	2.47
Seed	35.10	41.97	41.23	38.94	22.27	21.04
Fertilizer	47.25	53.95	51.04	51.04	47.14	47.14
Agro-chemicals	57.78	50.89	50.80	66.11	47.90	59.53
General costs	4.83	5.10	4.96	4.34	3.85	3.44
Transport (Off-farm)	10.64	14.00	13.80	15.68	11.58	13.16
Receiving, bagging, cleaning	8.80	11.90	11.09	12.61	6.89	7.83
Technical Assistance	4.93	5.20	5.06	4.42	3.93	3.51
PROAGRO (crop ins.)	11.46	10.25	10.01	6.64	7.83	5.30
Financing costs	31.11	15.47	13.90	11.99	10.93	9.48
Variable Costs	313.29	303.98	294.24	267.44	229.95	211.84
Depreciation and land improvements	72.80	66.61	64.67	58.12	45.76	41.27
Capital repayment	45.32	40.69	36.75	32.15	26.15	22.96
Insurance, duties & taxes	3.12	4.47	4.02	3.64	2.86	2.60
Labor (fixed)	34.07	32.80	30.20	22.75	21.54	16.85
Land repayment	60.75	38.57	35.28	35.28	21.52	21.52
Fixed Costs	216.06	183.14	170.92	151.93	117.83	105.19
Total Costs	529.35	487.12	465.16	419.37	347.77	317.03

1/ Conventional; 2/ Direct
Source: Parana State Dept. of Agriculture (SEAB/DERAL), 1999/2000, Sept. 99.

Cotton: Estimated Production Costs: Parana (US$/Ha)					
Item / Crop Year	1995/96	1996/97	1997/98	1998/99	1999/2000
Implement costs	93.47	94.52	119.46	104.47	82.93
Labor (temp)	302.18	309.54	272.67	285.46	206.59
Seed	32.13	35.76	28.14	21.59	17.75
Fertilizer	65.38	73.75	63.62	58.25	51.55
Agro-chemicals	76.90	78.00	80.84	81.17	77.49
General costs	11.40	11.83	11.72	11.64	9.11
Transport (Off-farm)	10.79	9.44	6.65	14.59	7.77
Receiving, bagging, cleaning	0.00	0.00	0.00	0.00	0.00
Technical Assistance	11.63	12.07	11.95	11.87	9.29
PROAGRO (crop ins.)	30.71	30.71	22.40	22.64	17.61
Financing costs	51.29	53.58	25.99	23.59	18.53
Variable Costs	685.88	709.20	643.44	635.28	498.62
Depreciation and land improvements	86.56	84.19	107.23	92.28	65.18
Capital repayment	33.20	47.87	64.99	57.49	41.07
Insurance, duties & taxes	3.35	3.27	8.84	7.84	5.62
Labor (fixed)	67.66	69.45	73.30	69.06	49.01
Land repayment	67.89	67.44	38.23	35.28	21.52
Fixed Costs	258.66	272.22	292.59	261.95	182.40
Total Costs	944.54	981.42	936.03	897.23	681.02
Source: Parana State Dept. of Agriculture (SEAB/DERAL)					

Estimated Soybean Production Cost Comparison: 1998/99						
Direct Planting						
Factor / State	Parana		Rio Grande do Sul		Mato Grosso	
	(R$/Ha)	(US$/Ha)	(R$/Ha)	(US$/Ha)	(R$/Ha)	(US$/Ha)
Variable costs	387.81	234.33	276.67	167.17	442.70	267.49
Fixed costs	199.59	120.60	182.51	110.28	82.28	49.72
Total cost	587.40	354.92	459.18	277.45	524.98	317.21
Operational costs	502.54	303.65	354.02	213.91	524.98	317.21
Source: PR-State Sec. Agr. (DERAL/SE); RS-FECOAGRO; and, MT-Min. Agr. (CONAB) / Safras & Mercados. Note: Base: Cascavel, PR, Passo Fundo, RS and Rondonopolis, MT, May 99. Assumed yields: PR-2.816 MT/Ha; RS-1.506 MT/Ha; and, MT 2.662 MT/Ha. Exchange rate: R$1.655/US$ (May 99).						

Relative Swap Value of Soybeans for Inputs (60 kg bags per unit 1/)			
Year	Fertilizer	Harvester	Tractor
1992	24.6	6,764	3,039
1993	19.9	6,367	2,538
1994	20.1	6,487	2,328
1995	24.0	7,698	2,737
1996	21.3	5,091	1,901
1997	18.8	5,044	1,745
1988	22.0	6,427	2,078
1999 (Jul)	29.5	7,355	2,163
Source: Ministry of Agriculture, CONAB 1/ Amount of soybeans need to acquire one metric ton of fertilizer, one harvester (120 Hp) or one tractor (75Hp/2X4).			

Total Fertilizer Sales: 1994-1999 1/ (TMT)	
Year	Qty
1994	11,944
1995	10,839
1996	12,248
1997	13,834
1998	14,669
1999	13,575
1/ All commodities Source: National Fertilizer Assn (ANDA)	

Prices

While in dollar terms, soybean producer prices in 1999 were well below those of 1998, due to the January 1999 devaluation of the Real, and subsequent fluctuation, local currency prices recovered notably. The devaluation, however, was a double edged sword as while it increased farm gate prices, it also caused the value of dollar-based imported inputs, such as fertilizer and petroleum, to jump.

Producer Soybean Price (MT)								
Month	1997		1998		1999		2000	
	R$	US$	R$	US$	R$	US$	R$	US$
Jan	286.67	275.17	314.00	280.33	227.17	142.83	305.83	169.50
Feb	251.00	239.33	246.33	218.50	269.83	140.50	0.00	0.00
Mar	260.17	246.67	225.83	199.33	272.50	145.67	0.00	0.00
Apr	275.17	259.33	216.50	189.83	249.17	149.67	0.00	0.00
May	280.83	263.00	222.17	193.67	243.00	146.67	0.00	0.00
Jun	273.00	254.17	221.00	191.50	248.33	139.50	0.00	0.00
Jul	262.50	242.83	219.67	189.00	260.33	143.83	0.00	0.00
Aug	282.33	259.67	211.33	180.33	282.50	150.00	0.00	0.00
Sep	295.17	270.33	215.33	182.50	311.33	165.67	0.00	0.00
Oct	311.67	283.67	226.33	190.33	333.17	168.50	0.00	0.00
Nov	311.50	281.17	226.00	189.83	341.00	177.50	0.00	0.00
Dec	316.33	284.00	227.17	188.50	327.83	184.33	0.00	0.00
Source: Precos Agricolas, USP/ESALQ-DEAE & CEPEA								

Despite current poor world market soybean prices, with the 1999 devaluation, the Brazilian producer finds himself in a price situation where low international prices have been somewhat offset by higher local currency prices and by steady local currency costs. Combined with the availability of industry financing for soybeans,

producers appear in a reasonable position, given other alternatives.

Farmers' debt/financing situation, however, continues critical to the production topic. Smaller producers in the south, i.e., Parana and Rio Grande do Sul, are able to access official local currency-based financing to a larger extent or plant a larger portion of their land with their own resources. Larger farmers, primarily in the center-west and northeastern states, i.e., Mato Grosso, Mato Grosso do Sul, Goias, Bahia, etc., conversely, depend on the industry, exporters or agricultural input supply companies for financing. This is resulting in a decline in government influence over planting decision and an increase in the level of professionalism among producers. Concurrently, soybean financing companies are expanding their core operations to encompass greater vertical integration into the inputs and origination points. So doing enables them to not only supply the needs of the farmers they are financing but to realize the return from such profit centers.

Minimum Prices

Area / Crop Year	1997/98		1998/99		1999/2000	
	R$	US$	R$	US$	R$	US$
Cotton (15 kg)						
Center-South	7.00	6.57	7.00	6.09	--	--
Northeast	7.00	6.57	7.00	6.09	--	--
S, SE, CW & BA south	--	--	--	--	8.00	4.44
NE (except BA)	--	--	--	--	7.00	3.89
Cottonseed (15 kg)						
S, SE, CW & BA south	--	--	--	--	1.68	0.92
Corn (60 kg)						
S, SE, TO, BA south, MA south &, PI south	6.70	6.29	6.70	5.83	7.10	3.94
GO, MS & DF	6.50	6.10	6.50	5.65	6.90	3.83
MT, AC & RO	6.00	5.63	6.00	5.22	6.00	3.33
Soybeans (60 kg)						
S, SE & CW (except MT)	9.50	8.92	9.50	8.26	--	--
MT, PA, TO & NE	9.00	8.45	9.00	7.83	--	--
AM, AC & RO	8.50	7.98	8.50	7.39	--	--
S, SE, CW & RO	--	--	--	--	9.70	5.39
N (except RO) & NE	--	--	--	--	9.20	5.11

Source: Ministry of Agriculture, CONAB
Note: S=South; SE=Southeast; CW=Center-West; NE=Northeast; CS=Center-South; BA=Bahia; MT=Mato Grosso; TO=Tocantins; PA=Para; PI=Piaui; GO=Goias; AC=Acre; RO=Rondonia; MA=Maranhao; DF=Distrito Federal.
Exchange rate:1997/98-R$1.065/US$; 1998/99-R$1.15/US$; 1999/2000-R$1.8/US$.

Consumption

The total oilseeds crush for MY 2000 (1999) is projected at 21.8 MMT, down only slightly from MY 1999, with soybeans accounting for more than 96 percent of the total, and all of the decline. The smaller projected 2000 soybean harvest and strong export competition for soybeans explain the lower crush. The cottonseed crush for MY 2000 (Jan-Dec), at 780 thousand metric tons (TMT), is estimated up more than 20 percent from last year due to higher cotton output.

Reports indicate that producers have been slower this year to forward sale their soybean production than is considered normal. The late planting, doubts as to the ultimate outcome of the crop and expectations for higher prices, should the crop turn out lower than projected, are noted by trade contacts as reasons for producers' marketing decisions. Soybeans are currently being priced when a producer needs to pay bills.

The forecast for MY 2001 (2000) total oilseeds crush is for an increase as higher soybean processing will add to a slight increase in the cottonseed crush. The out-year soybean crush is placed at 22 MMT, up nearly 5 percent from the projected MY 2000 level. The forecast for higher soybean production underlies the increase. The crush should also be supported by steady domestic oil requirements and slight growth in meal demand from the poultry and pork sectors, each of which have been impacted by factors associated with the tight economic situation. The cottonseed crush for MY 2001 is forecast to increase slightly to 785 TMT due mainly to expanded area.

The monthly 1999/2000 (Feb-Jan) results of the domestic crush sector are reported by the Brazilian Oilseed Processors' Association (ABIOVE) as follows.

Brazilian Industry Soybean Complex Monthly Data: 1999/00 (Feb/Jan -- TMT)						
Soybeans						
Month	Beginning Stocks	Purchase	Crush	Export	Domestic Sales	Ending Stocks
Feb	599	1,789	851	97	198	1,242
Mar	1,242	6,381	1,718	443	545	4,916
Apr	4,916	6,193	2,212	757	232	7,908
May	7,908	2,854	2,371	769	200	7,422
Jun	7,422	1,523	2,133	249	173	6,390
Jul	6,390	989	1,953	121	93	5,212
Aug	5,212	1,176	2,024	185	84	4,095
Sep	4,095	1,141	1,859	112	53	3,212
Oct	3,212	1,130	1,795	3	93	2,451
Nov	2,451	787	1,699	23	96	1,420
Dec	1,420	533	1,263	1	55	634
Jan	634	611	783	0	21	441
Feb/Jan		25,107	20,661	2,760	1,843	
cont.						

Soybean Meal						
Month	Beginning Stocks	Production	Imports	Export	Domestic Use	Ending Stocks
Feb	400	660	0	231	415	414
Mar	414	1,332	2	606	481	661
Apr	661	1,722	2	1,046	567	772
May	772	1,848	4	1,136	554	934
Jun	934	1,660	7	972	665	964
Jul	964	1,528	6	885	628	985
Aug	985	1,567	6	875	615	1,068
Sep	1,068	1,452	5	918	591	1,016
Oct	1,016	1,408	8	917	545	970
Nov	970	1,325	13	757	590	961
Dec	961	992	18	637	534	800
Jan	800	607	4	516	473	422
Feb/Jan		16,101	75	9,496	6,658	
Soybean Oil						
Month	Beginning Stocks	Production	Imports	Export	Domestic Use	Ending Stocks
Feb	200	159	15	65	171	138
Mar	138	326	7	73	228	170
Apr	170	422	13	154	228	223
May	223	451	11	233	230	222
Jun	222	408	7	205	233	199
Jul	199	377	16	114	241	237
Aug	237	388	17	64	264	314
Sep	314	360	2	171	222	283
Oct	283	344	9	149	220	267
Nov	267	322	19	56	251	301
Dec	301	246	11	73	232	253
Jan	253	151	6	30	192	188
Feb/Jan		3,954	133	1,387	2,712	
Source: ABIOVE (Brazilian Oilseed Crushers Association), Jan 1999 / www.abiove.com.br Note: Feb-Dec account for 95-97% and Jan 91-93% of the total domestic crush.						

The domestic crushing capacity is concentrated in the center-south of Brazil – Parana, Rio Grande do Sul, and Sao Paulo. Mergers and acquisitions over the past few years have changed the composition of the Brazilian crushing industry as major players, such as the Bunge Group (Santista Alimentos/Ceval Alimentos), Cargill and ADM have strengthened their participation. According to the Brazilian Oilseeds Crushers Association (ABIOVE), Brazil's five largest crushers account for more than 51 percent of total installed crushing capacity.

Twenty years ago, almost half of Brazil's crush was accomplished by small crushing plants (less than 600 tons per day). Now, the participation of these small crushers in the total Brazilian oilseeds crush has fallen to 10 percent. In 1998, ABIOVE estimated total Brazilian crushing capacity at 36.3 MMT per year. More than 75 percent of that capacity located in the Center-South. Idle capacity is estimated at about 25 percent.

Installed Soybean Crush Capacity by State: 1998

State	Capacity TMT/Yr	% of Total
Parana	11,031	30.4
Rio Grande do Sul	8,679	23.9
São Paulo	4,134	11.4
Goias	2,898	8.0
Mato Grosso	2,631	7.3
Mato Grosso do Sul	2,244	6.2
Santa Catarina	1,563	4.3
Minas Gerais	1,770	4.9
Bahia	825	2.3
Federal District	180	0.5
Pernambuco	180	0.5
Piauí	78	0.2
Ceara	60	0.2
Total	36,273	100.0

Source: ABIOVE (Brazilian Oilseed Crushers Association)

Trade

With lower oilseed production projected for the 2000 harvest, exports are expected to decrease slightly, vis-a-vis last season, to 8.7 MMT. Soybeans will account for nearly the entire amount. The value of the Brazilian Real, vis-a-vis the U.S. dollar, and advantages provided to soybean exports by the continuing exemption from the value-added tax (ICMS) are expected to support the continued active export of Brazilian soybeans, relative to moving the commodity to domestic crush. The forecast for a larger 2000/01 crop soybean harvest is expected to increase exportable quantities for MY 2001.

Import activity, predominantly soybeans, is expected to pick up in MY 2000 as improving transportation infrastructure facilitates the movement of Paraguayan soybeans to Brazilian crushers. A new rail terminal at Cascavel, Parana, for example, brings a rail option to within 90 miles of the major border crossing at Foz do Iguaçu/Cd. del Este. The line has direct access to the major processing center of Ponta Grossa and Paranagua, Parana. It is also feasible to move Paraguayan soybeans up the Parana-Tiete Rivers system to Brazilian facilities. This import activity is forecast to increase further in MY 2001, assuming Paraguayan production is available.

The Brazilian Government's import tariffs on oilseeds and products are contained in the MERCOSUL Common External Tariff schedule. Brazil, Argentina, Uruguay, and Paraguay are members of the MERCOSUL Trade

Pact. Bolivia and Chile are associate members. Tariff rates for oilseed complex products are located above in the Statistical Section.

Stocks

The Brazilian government does not hold oilseed stocks, which falls to the industry and cooperatives to a large extent. Larger soybean producers also have on-farm storage. No notable change in stock levels is anticipated due to strong export incentives provided by the devalued Real and tax advantage realized by soybeans moving to export vs. movements to domestic crush.

In tracking and comparing local industry soybean stock figures, one must note a local nuance. Many producers will deliver their production to the crushing industry or cooperatives but are often able to leave the contract open for pricing at a later date. The physical soybeans, however, may still be moved onto processing into meal and oil. In many cases, the local industry continues on their balance sheets to carry the now crushed soybeans as beans, rather than as meal and oil, until those beans are priced by the farmer.

Policy

Value-Added Tax (ICMS) Exemption

In September 1996, the Brazilian Government (GOB) exempted exports of raw materials and "semi-manufactured" products, which includes soybeans and soy products, from the value-added tax (ICMS - Imposto sobre Circulação de Mercadorias e Serviços), which state governments had previously assessed and collected on such transactions. At that time, the Brazilian crushing industry opposed the elimination of advantages afforded to crushers that exported soybean meal and oil. Prior to the change, soybeans being moved to export and domestic crush were assessed an ICMS tax of 13 percent. Soybean meal and oil were, and continue to be, assessed 11 and 8.5 percent, respectively. Domestic soybean movements are still assessed a 13 percent ICMS, while the rate for export beans is “0.” Soy meal and oil exports are also assessed "0" ICMS. The tax change for soybeans is in part responsible for the dramatic increase in Brazilian soybean expansion and exports in recent years, as well as the decline in the domestic crush. It has also provided additional incentives for infrastructure development.

This measure, "Lei Complementar" 95-A or "Lei Kandir,” also reduced state revenues. The change was reported to have resulted in an average 7 percent loss to state coffers. With the on-going economic problems, the issue of the resulting loss to state revenues and the Federal government’s reported failure to adequately compensate the state treasuries, continues to be a major point of contention between states and the Federal government. Concurrently, the crushing sector, which must pay the ICMS on interstate soybean movements, is feeling the impact of the present situation. Crushers are suppose to be able to recover the ICMS paid on soybeans when the resulting product is exported. Reports indicate, however, that the ICMS recovery system is not functioning well and a significant financial impact is being felt by the industry.

Transgenics

The transgenic (genetically modified organism/GMO) issue for soybeans continues a point of contention in Brazil. While Monsanto has been the main target for opponents of transgenic technology, other organizations and firms, which include the Ministry of Agriculture’s (MinAg) research entity, EMBRAPA, are also

developing transgenic soybeans. While many thought the issue would be resolved in time to use transgenic seed for the 1999/2000 crop, a subsequent court ruling in favor of a somewhat nebulous impact study, ended that possibility. While most contacts consider the use of the technology inevitable, just when that will come about is not clear at the present. However, once cleared for commercial use, it will take several years for transgenic seed to be propagated to a level where significant areas can be planted.

Nevertheless, reports indicate that transgenic soybeans again have been planted this season in southern and central-west Brazil, using clandestinely imported seed. Estimates indicate approximately 15 percent of the Rio Grande do Sul area has been seeded with transgenic and up to a million hectares throughout the rest of the country.

Opinions on the use of transgenic soybeans vary. On one side, some producers want the option to plant transgenics due to the lower production costs realized with the use of widely employed direct planting technology. They note the Argentine producers' cost situation and Argentines' ability to export transgenic production. On the other, producers are looking for the long-touted premium promised by non-transgenic buyers which, thus far, has yet to be realized at the farm gate. It may only be by Brazil approving transgenics for commercial production that the discussion on premium can be clarified. The crushing sector has no problem with processing transgenic soybeans and generally considers the commercial application of the technology a foregone conclusion. Nevertheless, some are reportedly testing for transgenics and indicate the ability to provide non-transgenic export shipments of soybeans and products. The oil consuming/food manufacturing/retail sectors have taken a conservative position, noting domestic press reports of consumer reaction. The export poultry producers are among this group as well. While not projecting a negative reaction, they will not produce a product the consumer will not buy. They are not, however, actively soliciting domestic consumers' input. Some sort of domestic labeling requirement is anticipated. The more general the label, the better, according to industry contacts.

The state governments in the major producing regions of Rio Grande do Sul, Mato Grosso do Sul and Parana have taken an active public position against the use of transgenic soybeans, with Rio Grande do Sul the more vocal. The main reason given is for marketing, using the perceived potential for a non-transgenic price premium as a basis for their stance. The discussion, however, is not without politics as the state administration in Rio Grande do Sul has also noted the international corporation component of the transgenic issue and the perceived negative impact on the small producer. Trade contacts indicate that once the legal case is settled and MinAg certification for the commercial use of transgenic soybean seed granted, producer pressure will likely soften the state governments' position. They also note that at that point, the market will be in a position to give producers the signals on which way to go with their planting decisions.

Marketing

Infrastructure

Transportation and port projects reducing the domestic freight costs for moving soybean and products, and conversely, production inputs, continue. This progress is exemplified by the development of waterways in both the center-south and north of Brazil. Concurrently, privatization of the rail lines is enabling investments that will facilitate movements to the east and southeast ports. As more soybeans are transported to domestic markets and export points by barge and rail, Brazilian soybean farmers become increasingly competitive. Nevertheless, trucks remain the dominant mode for transporting all types of cargo within Brazil, about 55 percent. Waterways

account for only 1 percent of total cargo traffic.

Examples of investments made include the Tiete-Parana waterway which will reduce freight costs to the southeast for soybeans grown in the Center-West. With improvements on the Parana River, the length of that waterway has been extended from 680 to 1,500 miles. The Northwestern Corridor waterway facilitates the transport of soybeans grown in northern Mato Grosso, which are trucked west to Porto Velho, Rondonia, and barged north, down the Madeira River, to the Amazon River port of Itacoatiara, just east of Manaus. From there, beans are exported by Panamax-size vessels. This waterway began operations in March 1997 and 581 TMT of soybeans were exported via that avenue in MY 1998/99 and, during MY 1999/2000, Feb-Oct 1999, 630 TMT are reported to have been moved through those facilities. The Amazon River port of Santarem, roughly half way between Manaus and the mouth of the Amazon, is also noted for developed as another loading point for beans trucked north out of Mato Grosso. Privatization of rail lines running out of the southern ports is enabling investment in line improvement and equipment to begin, thus allowing the potential for increased rail movements from the Center-West and Center-South production regions directly to port. It is unclear how the present economic situation will impact individual project time tables but progress is expected to continue.

Port work has been on-going, with major investments undertaken. An example are the additions of new belts and loading legs at Paranagua, which now gives each of the participating terminals access to any of the six legs and three berths in the in the port's common "Export Corridor." This is expected to reduce loading delays and resulting demurrage costs, for which the port has become known. The port of Santos, the largest in Latin America, is also handing an increasing level of bulk agricultural exports. With more channel and berth space, privatization there has led to impressive investments in storage and loading resources. While Paranagua has traditionally been the dominant export point, other ports are growing in importance. These options not only give rise to reduced export costs but also lend to the potential for segregation of domestic soybean production as the smaller ports tend to service a more defined production area. The table below provides an idea of the major export points for soybeans and products for the 1998/99 season.

Exports by Port, Soybeans and Products: 1998/99 (Feb/Jan) (TMT)					
Soybeans		Soybean Meal		Soybean Oil	
Paranagua	3,734.1	Paranagua	4,646.3	Paranagua	849.2
Santos	1,897.2	Rio Grande	2,183.5	Rio Grande	416.0
Rio Grande	1,641.8	São Francisco	1,636.6	São Francisco	123.6
Itacoatiara	581.0	Santos	1,214.5	Santos	4.1
Vitoria	489.1	Vitoria	863.4	Others	12.7
Ilheus	431.5	Ilheus	150.6	Total	1,405.6
São Luis	357.9	Others	164.7		
Caceres/Corumba	117.8	Total	10,859.6		
São Francisco	30.8				
Others	31.4				
Total	9,312.6				
Source: DECEX/Safras & Mercados					

Brazilian soybean exports, as exports in general, have benefitted from the devaluation of the Real, vis-a-vis the dollar. In addition, Brazilian exporters are using the "non-transgenic" situation as a marketing tool. This may, however, prove problematic given the presence of clandestine transgenic soybeans in the production and export system.

TOTAL MEALS

Production

Total oilseed meal production for MY 2000 (1999) is projected at 16.8 MMT, down slightly from MY 1999. Soybean meal accounts for over 97 percent of total Brazilian oilseeds meal production, with the rest represented predominantly by cottonseed meal. Soybean meal production for MY 2000/01 (Feb-Jan) is projected at 16.4 MMT, and MY 2000 (Jan-Dec) cottonseed meal production is placed at 430 TMT. The larger crop forecast for MY 2001 is expected to increase the crush and resulting meal production.

Consumption

Total oilseed meal consumption for MY 2000 (1999) is projected at 7.16 MMT, up about just over 1 percent from MY 1999, due to expected slightly higher needs of the poultry and livestock sectors. Soybean meal consumption makes up about 94 percent of the total. Cottonseed meal consumption is also expected to be higher due to an increase in availability, vis-a-vis last season.

Consumption of soy meal increased notably since the 1994 implementation of the "Real" economic stabilization plan. However, the rate of growth has fallen off in recent years due to the tightening of the Brazilian economy and the resulting impact on consumer buying power. According to feed industry information, two-thirds of

soybean meal is consumed by the poultry industry. Hog feed accounts for another 30 percent. Cottonseed meal goes predominantly to cattle feed.

Trade

Total oilseed meal exports for MY 2000 are projected to decline about 5 percent, to 9.8 MMT, due mainly to the reduced crush. Soybean meal accounts for 100 percent of the projection.

Oilseed meal imports for MY 2000 are projected at 220 TMT, 98 percent soybean meal. Soybean meal is imported from Argentina and Paraguay as freight and logistical factors dictate.

Marketing

Domestic crushers continue to compete for soybeans against the export market. Already at a reported disadvantage due to the exemption of export beans from the valued-added tax (ICMS), the 1999 devaluation raised the local currency price of soybeans, further pressing crush margins. Also noted as a factor by the crush sector has been the aforementioned impact of their inability to recover ICMS paid on interstate soybean purchases, the product from which was subsequently exported (See "Value-added TAX (ICMS) Exemption"). On the output side, crushers confront the need to pass along higher costs in their prices. This places inflationary pressures on already strapped consumers directly, via refined oil, and indirectly by way of higher meal prices to the livestock, poultry and egg sectors. Conversely, food retailer have pressed their suppliers hard to hold down price increases to slow the further loss of consumer buying power.

Brazilian meal exports, as exports in general, have benefitted from the devaluation of the Real, vis-a-vis the dollar. In addition, Brazilian exporters are using the "non-transgenic" situation as a marketing tool. This may, however, prove problematic given the presence of clandestine transgenic oilseeds in the production and processing system.

TOTAL OILS

Production

Total oil production, projected for MY 2000 (1999) at 4.1 MMT, will be down just over 1 percent from last season due to the lower soybean crush. Soy oil and cottonseed oil production for MY 2000 are placed at 3.9 MMT and 120 TMT, respectively. Industry contacts indicate that oil demand continues to drive the domestic crush. The higher cost of imported oils resulting from the 1999 devaluation lent support to the level of domestic crush last season, which will continue. Brazil also produces relatively small quantities of corn, peanut, palm, castor, Canola and sunflower seed oils.

The forecast for MY 2001 is for about a 5 percent increase in oil production due to the larger oilseed crops and higher imports.

Consumption

Total consumption of vegetable oils (soybean and cottonseed) for MY 2000 (1999) is projected at 2.9 MMT, up just over 1 percent from MY 1999. Utilization of soybean oil is placed at 2.8 MMT and cottonseed oil at 115 TMT for MY 2000. While soybean oil consumption is not projected to change from the level of last season, the figure actually reflects industry expectation for a decline in per capita use. Cottonseed oil, conversely, should be consumed at a significantly higher level, vis-a-vis 1999, due to availability.

Soybean oil remains the principal cooking oil in Brazil, although corn and sunflower seed oils are gaining in popularity for cooking. Canola oil is used more on salads. The devaluation increased the cost of imported vegetable oils, mainly originating in MERCOSUL countries, which lent support to projected consumption of domestically produced oil. Efforts to hold down consumer prices at the retail level further improved the competitive position of soy oil. Soybean oil consumption should again increase with improvement in consumer buying power. While soybean oil is consumed to a larger extent as a canned/bottled cooking oil, cottonseed oil goes to the industrial processing and fast food sectors.

Trade

Total oil exports for MY 2000 (1999) are projected at 1.46 MMT, down nearly 10 percent from MY 1999, due to the reduced crush and higher consumption. MY 2000 soybean oil exports are placed at 1.45 MMT and shipments of cottonseed oil are estimated at 5 TMT. Out-year exports are forecast to increase due to the higher crush.

Imports of vegetable oil originate predominantly in neighboring MERCOSUL countries. Argentina has been the largest supplier.

Marketing

Brazilian oil exports, as exports in general, have benefitted from the devaluation of the Real, vis-a-vis the dollar. In addition, Brazilian exporters are using the “non-transgenic” situation as a marketing tool. This may, however, prove problematic given the presence of clandestine transgenic oilseeds in the production and processing system.

Domestic refined soybean oil prices have remained relatively stable during 1999 as retailers strove to hold down inflationary pressures.

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